Guidelines For Estimating

Shortkeep Feeder Costs

For Weight Range of 850 - 1400 lbs
Based on feeding 500 Steers

Date: September, 2002

Cattle feeding is a high risk business requiring large amounts of short term capital to buy feeder cattle and feed. With cyclical price variations for both livestock and feed, successful management invloves careful consideration of costs, projection of markets and sound judgement.

The following budget is an estimate of the costs of production encountered in finishing beef cattle in a farm feedlot situation. The purpose of this budget is to assist Manitoba livestock producers to calculate their own cost of production and take into consideration the factors that should be included when budgeting to determine breakeven prices.

The assumptions on which costs are calculated are clearly defined in the supporting pages. When interpreting these costs for an individual situation, adjustments may be required. Note that on farm feed costs are based on market prices at the farm. It is assumed that all feed is grown on the farm, except for supplements. Each assumption must be examined and adjustments made where necessary, to apply to the producer's own situation.

Disclaimer: This budget is only a guide and is not intended as an in depth study of the cost of production of the Manitoba cattle industry. Interpretation and utilization of this information is the responsibility of the user. If you require assistance with developing your individual budget, please contact your local MAF Farm Management Specialist or Livestock Specialist.

Shortkeep Cattle Production Cost Summary September, 2002

	Cost/Head	Total Cost	Your Cost
A. Operating Costs			
1. Feed Costs			
1.01 Ground Barley	290.45	145,225	
1.02 Barley Silage	40.51	20,255	
1.03 Supplement	14.42	7,210	
Total Feed Costs	**$345.38**	**$172,690**	
2. Other Operating Costs			
2.01 Feeder Cost	952.38	476,188	
2.02 Straw	5.50	2,750	
2.03 Veterinary Medicine & Supplies	10.68	5,340	
2.04 Annual Fuel & Repair Costs	7.20	3,600	
2.05 Utilities	5.60	2,800	
2.06 Marketing Costs	63.98	31,990	
2.07 Insurance	7.37	3,685	
2.08 Manure Removal	5.40	2,700	
2.09 Barn & Office Supplies	0.32	160	
2.10 Death Loss	5.73	2,865	
Subtotal Operating Costs	1,409.54	704,768	
2.11 Operating Interest	27.87	13,935	
Total Operating Costs	**$1,437.41**	**$718,703**	
B. Fixed Costs			
3. Depreciation			
3.01 Buildings	5.55	2,775	
3.02 Machinery & Equipment	12.00	6,000	
4. Investment			
4.01 Buildings	2.04	1,018	
4.02 Machinery & Equipment	2.70	1,350	
Total Fixed Costs	**$22.29**	**$11,143**	
Total Operating and Fixed Costs	**$1,459.70**	**$729,846**	
C. Labour	20.00	10,000	
Total Cost of Production	**$1,479.70**	**$739,846**	

Cost per lb of gain sold	**$/cwt**	
Feed Costs	$71.95	
Operating Costs	$104.67	
Operating & fixed	$109.31	
Total costs	$113.48	
Breakeven Selling Price		
Operating Costs	$108.08	
Operating & fixed	$109.75	
Total costs	$111.26	
Breakeven Purchase Price		
Operating Costs	$100.49	
Operating & fixed	$97.87	
Total costs	$95.52	

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Assumptions

1. Average daily gain (ADG) was assumed to be 3.5 lbs/day
2. It was assumed that the feeder steer weighed in at 850 lbs. shrunk weight, finish weight was estimated at 1400 lbs (1330 after 5 % shrink).
3. Days on feed:157
4. Investment in feedlot facilities and equipment was assumed to handle 500 head.

Shortkeep Cattle Production Cost Worksheet

A. Operating Costs				Your Cost
1. Feed Costs				
1.01 Ground Barley				
		157	days on grain	
	x	24.0	lbs/feeder/day	
	÷	48.00	lbs/bushel	
	x	$3.70	/bushel	
	=	**$290.45**	**/feeder**	
1.02 Silage				
		157	days on silage	
	x	12.0	lbs/feeder/day	
	÷	2,000	lbs/ton	
	x	$43.00	/ton	
	=	**$40.51**	**/feeder**	
1.03 Supplement (Salt, Vitamins, Minerals, Ionophore)				
		157	days on supplement	
	x	0.75	lbs/feeder/day	
	÷	2,000	lbs/ton	
	x	$245.00	/ton	
	=	**$14.42**	**/feeder**	
2. Other Operating Costs				
2.01 Feeder Cattle Cost				
Buying Commission		$6.75	/feeder	
Trucking-in		$1.25	/cwt	
	x	850	lbs/feeder	
	÷	100	lbs/cwt	
	=	$10.63	/feeder	

Feeder		850	lbs/feeder	
	x	$110.00	/cwt	
	÷	100	lbs/cwt	
	=	$935.00	/feeder	
Total	=	**$952.38**	**/feeder**	

2.02 Straw

	0.25	tons/feeder	
x	$22.00	/ton	
=	**$5.50**	**/feeder**	

2.03 Veterinary Medicine & Supplies

Cattle Medication

+	$0.64	Vitamins	
+	$5.00	Parasite control	
+	$0.55	Blackleg	
+	$1.61	Growth Implants	
+	$2.00	Antibiotics	
=	$9.80	/feeder	

Professional Services

	100.0	/hour charge	
x	2.0	hours	
÷	500	feeder cattle	
=	$0.40	/feeder	

Transportation

	$1.00	/km charge	
x	80	kilometers	
x	3	visits	
÷	500	feeder cattle	
=	0.48	/feeder	
Total =	**$10.68**	**/feeder**	

2.04 Annual Fuel & Repair Costs

	$1,300	repairs	
+	$2,300	fuel costs	
÷	500	feeder cattle	
=	**$7.20**	**/feeder**	

2.05 Utilities

	$2,800	/year	
÷	500	feeder cattle	
=	**$5.60**	**/feeder**	

2.06 Marketing & Transportation

Trucking	700	miles	
x	$3.00	/loaded mile	
÷	38	head/load	
=	$55.26	/feeder	
US Costs +	$8.72	/feeder	
Total =	**$63.98**	**/feeder**	

2.07 Insurance

	$136,707	bldg & equip investment	
x	$0.50	/$100 capital	
÷	100	/$100	
÷	500	feeder cattle	
=	$1.37	/feeder	
	$590,750	herd investment	
x	$0.50	/$100 capital	
÷	100	/$100	
÷	500	feeder cattle	
=	$5.91	/feeder	
	$45.00	additional coverage for liability	
÷	500	feeder cattle	
=	$0.09	/feeder	
Total =	**$7.37**	**/feeder**	

2.08 Manure Removal

	$2,700	annual removal cost	
÷	500	feeder cattle	
=	**$5.40**	**/feeder**	

2.09 Barn & Office Supplies

	$160.00	total barn expenses	
÷	500	feeder cattle	
=	**$0.32**	**/feeder**	

2.10 Death Loss

	$952.38	feeder cattle cost	_____
+	$1,339.83	maximum value	_____
÷	2	average	_____
x	0.50	% mortality rate	_____
=	**$5.73**	**/feeder**	_____

2.11 Operating Interest

(Operating interest is charged on one half the subtotal operating costs)

	$952.38	feeder cost	_____
+	$225.72	½ of feed & other costs	_____
x	5.5	% operating interest	_____
x	157	days on feed	_____
÷	365	days/year	_____
=	**$27.87**	**/feeder**	_____

Capital Costs

Buildings, Corrals & Water System		
Windbreak fence	$4,900	
Pens	$3,027	
Grain Bin	$3,000	
Handling Facilities	$4,000	
Waterers	$4,000	
Gates	$1,280	
Bunk Feeders	$23,000	
Well & Pressure System	$3,500	
Landscaping	$15,000	
Total	**$61,707**	
Machinery & Equipment		
Tractor & Loader	$50,000	
Miscellaneous	$25,000	
Total	**$75,000**	
Total Investment	**$136,707**	

B. Fixed Costs

3. Depreciation $\frac{\text{Original Cost - Salvage Value}}{\text{Useful Life}}$

3.01 Buildings

	$61,707	original cost	
-	$6,171	salvage value	
÷	20	years useful life	
÷	500	feeder cattle	
=	**$5.55**	**/feeder**	

3.02 Machinery & Equipment

	$75,000	original cost	
-	$15,000	salvage value	
÷	10	years useful life	
÷	500	feeder cattle	
=	**$12.00**	**/feeder**	

4. Investment **Original Cost + Salvage Value x Investment Rate**
2

4.01 Buildings

	$61,707	original cost	
+	$6,171	salvage value	
÷	2	average	
x	3.0	% investment rate	
÷	500	feeder cattle	
=	**$2.04**	**/feeder**	

4.02 Machinery & Equipment

	$75,000	original cost	
+	$15,000	salvage value	
÷	2	average	
x	3.0	% investment rate	
÷	500	feeder cattle	
=	**$2.70**	**/feeder**	

C. Labour

	2.0	hours/feeder/year	
x	$10.00	/hour	
=	**$20.00**	**/feeder**	

Breakeven Calculations

				Your Cost
Cost per lb of gain sold				
Feed Costs		$345.38	feed cost	
	+	480	weight gain	
	=	**$0.72**	**/lb gain sold**	
Operating Costs		$1,437.41	operating costs	
	-	$935.00	feeder cost	
	÷	480	weight gain	
	=	**$1.05**	**/lb gain sold**	
Total Operating & Fixed Costs		$1,459.70	operating & fixed costs	
	-	$935.00	feeder cost	
	÷	480	weight gain	
	=	**$1.09**	**/lb gain sold**	
Total Costs		$1,479.70	fixed costs	
	-	$935.00	feeder cost	
	÷	480	weight gain	
	=	**$1.13**	**/lb gain sold**	
Breakeven selling price				
Operating Costs		$1,437.41	operating costs	
	÷	1,330	lbs shrunk weight	
	=	**$1.08**	**/lb**	
Total Operating & Fixed Costs		$1,459.70	operating & fixed costs	
	÷	1,330	lbs shrunk weight	
	=	**$1.10**	**/lb**	
Total Costs		$1,479.70	total costs	
	÷	1,330	lbs shrunk weight	
	=	**$1.11**	**/lb**	
Breakeven purchase price				
Operating Costs		1,330	lbs shrunk weight	
	x	$102.00	$/cwt selling price	
	=	$1,356.60	income	
	-	$502.41	operating less feeder cost	
	÷	850	lbs purchase weight	
	=	**$1.00**	**/lb**	

Operating & fixed cocsts		1,330	lbs shrunk weight	
	x	$102.00	$/cwt selling price	
	=	$1,356.60	income	
	-	$524.70	op & fixed less feeder cost	
	±	850	lbs purchase weight	
	=	**$0.98**	**/lb**	
Total costs		1,330	lbs shrunk weight	
	x	$102.00	$/cwt selling price	
	=	$1,356.60	income	
	-	$544.70	total less feeder cost	
	±	850	lbs purchase weight	
	=	**$0.96**	**/lb**	

For more information contact your local Manitoba Agriculture and Food Office.

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Short Keep Feedlot Facilities